

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04
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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 3296
INFO AMEMBASSY BANGKOK PRIORITY
AMEMBASSY KUALA LUMPUR PRIORITY
AMEMBASSY MANILA PRIORITY
AMEMBASSY SINGAPORE PRIORITY
AMEMBASSY TOKYO PRIORITY

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E.O. 11652: N/A
TAGS: ASEAN, ID
SUBJECT: GOI REACTION TO ASEAN SUMMIT

REF: JAKARTA 11003

1. SUMMARY: INDONESIAN OFFICIAL REACTION TO ASEAN SUMMIT
GENERALLY FAVORABLE. OFFICIALS ENCOURAGED BY PROGRESS IN
DELIBERATIONS OF INDUSTRIAL PROJECTS WHICH WILL BE DISCUSSED AGAIN
AT ECONOMIC MINISTERS' MEETING SEPTEMBER 2-4 AT PATTAYA. EFFECT
OF TARIFF CUTS ON INDONESIA'S TRADE PATTERNS NOT EXPECTED TO BE
DRAMATIC. OFFICIALS ENCOURAGED BY RESULTS RECENT MEETINGS WITH
JAPANESE OFFICIALS AND BUSINESS LEADERS, AND PLEASED WITH SWAP
ARRANGEMENT AMONG ASEAN CENTRAL BANKS. GENERAL FEELING IS THAT
WHILE INDONESIA MAY NOT BE ABLE TO KEEP PACE IN SOME AREAS OF
COOPERATION, THIS WILL NOT DETRACT FROM GENERAL THRUST OF ASEAN
COOPERATION. END SUMMARY.

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2. ECONCOUNS AND EMBOFF MET AUGUST 19 WITH MINISTRY OF
TRADE DIRECTOR GENERAL FOR FOREIGN TRADE RELATIONS SUHADI
MANGKOESOEWONDO FOR DISCUSSION, INTER ALIA, FO ASEAN
SUMMIT. TOUCHING FIRST ON THE ASEAN INDUSTRIAL PROJECTS,
SUHADI SAID THE INDUSTRIAL PROJECTS ARE MOVING SLOWLY BUT
THE GOI PROJECT IS THE MOST ADVANCED AND ASEAN HAS CON-

CLUDED THAT IT IS FEASIBLE. (COMMENT: GOI OFFICIALS INCREASINGLY SEEM INCLINED TO TAKE MILD PRIDE IN FACT THAT IN INDUSTRIAL PROJECTS AT LEAST GOI IS OUT IN FRONT.) SUHADI SAID THE INDUSTRIAL PROJECTS WOULD BE DISCUSSED AT THE ECONOMIC MINISTERS SEPTEMBER 2-4 MEETING AT PATTAYA AND HE SAID A GO AHEAD ON THE INDONESIAN PROJECT (UREA) COULD BE GIVEN AS EARLY AS THAT TIME. HE ADDED THAT ALTHOUGH THERE WOULD PROBABLY BE ZERO DUTY ON THE PRODUCTS OF THE INDUSTRIAL PROJECTS, THE EXACT NATURE OF THE PREFERENCES, WHICH MAY VARY FROM PROJECT TO PROJECT, HAVE NOT YET BEEN WORKED OUT.

3. TURNING NEXT TO THE PREFERENTIAL TRADE AGREEMENT, SUHADI SAID CUSTOMS OFFICIALS ALREADY HAVE MET REGARDING IMPLEMENTATION OF THE TARIFF CUTS FOR THE 71 PRODUCTS SO FAR AGREED UPON. INDONESIA'S CUT WILL BE 10 PERCENT ON ALL OF THE 15 PRODUCTS IT IS OFFERING. SUHADI SAID THE EFFECT OF THESE TARIFF CUTS ON INDONESIA'S TRADE PATTERNS WOULD NOT BE DRAMATIC BUT HE WAS HEARTENED BY THE FACT THAT THIS WAS THE START OF SOMETHING THAT WOULD GROW. HE EXPECTED THAT BY NEXT YEAR AT THIS TIME A SECOND BATCH OF CUTS, WHICH HE HOPES WILL BE LARGER, WILL BE IN PLACE; HOWEVER, EVINCING TYPICAL INDONESIAN HESITANCY HE ADDED THAT THE INDONESIAN INDUSTRIAL BASE IS 15 YEARS BEHIND OTHER ASEAN COUNTRIES LIMITED OFFICIAL USE

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SO CAUTION IS THE WATCHWORD. ON THE 1700 PRODUCTS FOR WHICH TARIFF CUTS WILL BE GRANTED TO EACH OTHER BY SINGAPORE, THAILAND AND THE PHILIPPINES, SUHADI SAID THAT THEY HAD NO CHOICE BUT TO EXTEND THEM TO INDONESIA AND MALAYSIA BECAUSE OF THE ASEAN MFN. SUHADI SAID THE ASEAN SECRETARIAT WOULD REQUEST A GATT WAIVER FOR THE PREFERENTIAL TARIFF AGREEMENT AND SINCE THE INTENTION IS TO EXPAND RATHER THAN TO RESTRICT TRADE AND ALSO BECAUSE THERE IS AMPLE PRECEDENT FOR SUCH A WAIVER ASEAN DOES NOT ANTICIPATE A PROBLEM.

4. ASKED IF ANY OTHER ASPECTS OF THE SUMMIT HAD ECONOMIC IMPORTANCE FOR INDONESIA, SUHADI AT FIRST SAID NOT AND THEN ADDED AS AN AFTERTHOUGHT THAT AGREEMENT ON THE BASIC COMMODITIES, RICE AND OIL, ALSO HAD SOME IMPORTANCE.

5. TURNING TO THE ASEAN-JAPANESE DIALOGUE, SUHADI SAID THE MOST IMPORTANT RESULT HAD BEEN THE POLITICAL REALIZATION BY JAPAN THAT IT IS IN JAPAN'S INTEREST FOR THE REGION TO REMAIN STABLE AND TO MAINTAIN GROWTH.

SUHADI SAID JAPAN CAN HELP THIS PROCESS. HE ADDED THAT HE EXPECTS INDONESIAN EXPORTS TO JAPAN TO INCREASE. SUHADI ADDED THAT HE HAD BEEN EXPECIALLY HEARTENED IN HIS RECENT MEETINGS WITH JAPANESE OFFICIALS AND BUSINESSMEN (INCLUDING THE KEIDARAN) RECENTLY IN TOKYO ON THE NEW SENSE OF RELAXATION AND OPENNESS THAT THEY ARE EXHIBITING.

6. IN PRIOR CONVERSATION WITH DR. ARIFIN SIREGAR (MANAGING DIRECTOR, BANK INDONESIA), WHO ALONG WITH SUHADI HAD BEEN ON THE INDONESIAN DELEGATION IN KUALA LUMPUR, SIREGAR STRESSED SINGAPORE'S CONTINUED RELUCTANCE TO PRODUCE DIESEL ENGINES ABOVE 500 HP BUT SAID GOI HOPED THAT AGREEMENT COULD BE REACHED UNDER WHICH LIMITED OFFICIAL USE

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THAILAND WOULD PRODUCE ENGINES UP TO 200-HP,
MALAYSIA UP TO 300 HP, PHILIPPINES UP TO 400 HP, AND

INDONESIA UP TO 500 HP. INDONESIA HAD IN EFFECT COMPLETED A FEASIBILITY STUDY THAT CONCLUDED THAT THE FOREGOING WAS AN APPROPRIATE BASIS FOR AN ASEAN PROJECT. REGARDING THE AGREEMENT REACHED AMONG ASEAN CENTRAL BANKS FOR A SWAP ARRANGEMENT, SIREGAR WAS PLEASED THAT THIS HAD BEEN ACCOMPLISHED WITHOUT MUCH FUSS AND FANFARE. HE NOTED THAT THE SWAP ARRANGEMENT WAS REALLY A CREDIT FACILITY AND THAT IT WOULD BE A VERY SIMPLE MECHANISM WITHOUT, AS HE PUT IT, THE USUAL ACCOUNTREMENTS OF INTERNATIONAL ORGANIZATIONS. THERE WOULD BE NO TRIGGER CLAUSES AND NO QUESTIONS WOULD BE ASKED IF A COUNTRY DESIRED TO AVAIL ITSELF OF THE FACILITY.

7. SIREGAR WAS EQUALLY SATISFIED WITH THE PRINCIPLE LIMITED OFFICIAL USE

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OF FIRST REFUSAL INTRODUCED INTO THE FOOD AND ENERGY EMERGENCY ARRANGEMENTS WORKED OUT AMONG THE MEMBER COUNTRIES. HE FELT THAT THIS ARRANGEMENT WOULD BRING DEFINITE BENEFITS TO ASEAN, ESPECIALLY THAILAND (RICE) AND INDONESIA (PETROLEUM).

8. COMMENT. DESPITE THE FACT THAT INDONESIA MAY BE THE SLOWEST OF THE ASEAN MEMBER COUNTRIES IN TERMS OF ECONOMIC DEVELOPMENT, INDONESIAN OFFICIALS ARE UNANIMOUS IN THEIR VIEW THAT THE ASEAN SUMMIT WAS A DEFINITE STEP FORWARD IN STRENGTHENING THE ECONOMIC AND POLITICAL SOLIDARITY OF THE AREA. THEY FEEL THAT THE FACT THAT INDONESIA MAY NOT BE ABLE TO KEEP PACE IN SOME AREAS OF COOPERATION SUCH AS TARIFF REDUCTIONS, DOES NOT DETRACT FROM THE GENERAL THRUST OF ASEAN COOPERATION AND ARE CONFIDENT THEY WILL BE ABLE TO HOLD THEIR OWN IN MOVING FORWARD WITH INDONESIA'S ECONOMIC GROWTH IN THE ASEAN CONTEXT. OFFICIALS ARE ALSO ENCOURAGED BY THE NEW RELATIONSHIPS BEING DEVELOPED WITH JAPAN AND HOPE THAT THIS WILL SET A PRECEDENT FOR THE OTHER DIALOGUES WITH MAJOR INDUSTRIAL AREAS SUCH AS THE U.S. AND THE EC.
RIVES

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